Book by 17th October 2008 & SAVE £100!

Mastercourse: Company Valuation

~ The Latest Tools & Techniques to Help you Build Advanced Business Valuations

Course Highlights:

- **Advanced Valuation Techniques:**
  - DCF - CFROI - Decision Trees
  - EVA® - MVA - Real Options
- **WACC: Weighted Average Cost of Capital & Discount Rates:**
  - CAPM & alternatives - deriving the Equity Risk Premium
  - how Betas are derived - WACC vs APV
- **Market-based Valuation Techniques:**
  - Ratio Analysis
  - Guideline company market analysis
  - Transaction analysis, premiums for control
- **Other Valuation Issues:**
  - Optimal capital structure - Accounting issues
  - Income vs cost approaches - Valuing majority / minority holdings
  - Valuing IP & intangibles
- **Valuation Reporting:**
  - BVCA, EVCA, ©GIPS (CFA Institute) Guidelines

Plus!

- The role of the Board in reviewing a potential acquisition:
  - Optimal bidding strategy
  - Low cost overseas operations
  - Factoring in inflation and exchange rate risks
  - 'Value to an investor' vs 'value to a trade buyer'

20 - 21 November 2008
etc Venues, Bonhill House, London

21 - 22 April 2009
etc Venues, Bonhill House, London

Plus!

8 Practical Case Study Exercises:

1. DCF valuation example
2. Analysing capital structure using ratio & deal based metrics
3. Value creation & destruction using EVA spreadsheet models
4. Comparing CFROI spreadsheet models with EVA
5. Real Options vs DCF Analysis: Risk handling & model structure
6. Decision Tree approaches: R&D project in biotech industry
7. Analysing several companies' exchange filings & annual reports
8. How companies' optimal funding strategies may change over time

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How You Will Benefit from Attending this Workshop

This seminar will lead you from the basics through to advanced takes on valuation methodologies. The emphasis will be on pragmatic techniques for actually valuing companies which you may be interested in, from a mergers and acquisition standpoint – including the valuation of cash flows in different situations and valuing companies by reference to market multiples based on transactions and/or guideline companies. In addition, the seminar considers important contemporary techniques for evaluating the performance of the management of companies in which you may be interested, from an investment perspective, including CFROI and EVA.

Whether you are valuing a company in a leveraged deal, for M&A, debt raising or a capital markets transaction, the course covers the very latest thinking and techniques used by buyers, sellers and lenders alike. You will also value an acquisition from the perspective of a trade buyer and compare it with that of a portfolio investor.

Course Format

Case studies from recent deals are included as are practical exercises involving problem areas in valuation. The seminar also includes critiques of conventional techniques and considers suitable alternatives to be deployed in differing circumstances as well as an update on the latest valuation reporting guidelines used for monitoring investment and portfolio management performance, and their interpretation.

About Your Course Leader

Hugh Osburn previously held a senior position in a major international valuation consultancy and, prior to that, held financial management positions with major multi-national companies and worked in a number of countries throughout Europe.

Hugh is a Fellow of the Chartered Institute of Management Accountants, an Accredited Senior Appraiser, American Society of Appraisers, and is a Chartered Financial Analyst.

"Very well delivered course, thank you, well done"

Josef Dobrichovsky, *Transaction Advisory Manager,*
ERNST & YOUNG

Company Valuatio

20 - 21 November 2008 or 21 - 22 April 2009, etc Venues, Bonhill House, Lo

Registration at 0830 for course start at 0900

Programme Day 1

Valuing Businesses: Majority Shareholdings in Unquoted Companies

- Valuing the whole business
- Simplistic rules of thumb
- Three basic approaches to value: income, market, cost

Valuing Businesses Using the Income Approach

Advanced Discounted Cashflow Valuation

- Differences between P&L accounts and DCF analysis; treatment of interest
- WACC (Weighted Average Cost of Capital) versus APV (Adjusted Present Values)
- Analysing projects
- Attractiveness of the investment: business environment: key factors
- Basic techniques to determine CapEx levels and working capital movements
- Effective and actual tax rates
- Using multi period + terminal value models

You will -
1. Study the conditions necessary prior to the use of Terminal values
2. Review use of the Gordon Growth Model versus the alternative of market multiples

Weighted Average Cost of Capital (WACC) & the Discount Rate

- Review of capital asset pricing model (CAPM)
- How to derive equity risk premiums in different countries
- Size and market sector premiums
- Problems with CAPM - adjustments, alternatives and is it still valid?
- WACC calculation

Capital Structure Issues in Valuation

- Development of the academic debate
- Optimum capital structure and valuation
- Internal & external funding in acquisitions and investments

You will -
1. Review the theory of representative discount rates, arguments for and against un-levering and re-levering betas, and how to adjust for high levels of debt gearing.
2. Address the APV (Adjusted Present Value) approach to determining Optimal Capital Structures, and its problems: including the uncertainties of estimating bankruptcy costs.

Valuing Businesses Using the Market Approach

Guideline Company Market Analysis

- Where to find comparables and/or guideline companies
- Selection of appropriate Indicators of Value:
  - Market-Cap"-related versus "Enterprise Value"- related
  - Earnings multiples versus Balance Sheet measures
- Weighting of Indications of Value
  - Ratios: Coefficient of Variation versus Regression Analysis
- Improving quality of data: adjust, pragmatically, for:
  - major acquisitions and major divestments
  - owned assets versus capital leases and/or operating leases
  - use of Consensus Broker Forecasts
- Adjustments for control, marketability, liquidity

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uation Mastercourse

es, Bonhill House, London

You will -
1. Be provided with a simplified Excel model showing the use of both DCF Analysis and Guideline company market Multiples.
2. Examine adjustments to market multiples for: Size / Risk, Growth, Profitability, and Tax.
3. Review techniques to handle other valuation problems, such as Discretionary Earnings, in family based businesses, and appropriate Discount Rates for small enterprises using fundamental measures of company risk.

Valuing Businesses Using the Cost Approach

- 'Sum of the Assets', including Intangibles
- Opportunity costs and/or lost contribution

Three Different Values: Income, Market, Cost

- Analyse and Understand the Different Indications of Value

Minority Holdings in Dividend & Non-Dividend Paying Companies

- Control
- Minority holdings in private versus quoted companies
- Cash is king

You will -
1. Review other issues associated with companies paying no dividends, and how much control is invested in the interest being valued.
2. Examine conditions pertaining to use of the Dividend Discount Model.

Analysing an M&A Valuation Case

- Evaluation of an acquisition target valuation
- Assessment of an acquisition's offshore operations
- Understanding value drivers and potential synergies

The case study of a recent actual acquisition within the computer services sector will be used to enhance understanding of "value to an investor" versus "value to a trade buyer", with the latter often acquiring intangibles, like skill sets, and/or opportunities for rationalisation. Outputs from a more sophisticated, integrated valuation model will be used to examine adjustments to market multiples for: Size/Risk, Growth, Profitability, and Tax - and also highlight the problems with most Rules of thumb.

Programme Day 2

Economic Value Added (EVA) & Market Value Added (MVA)

- EVA: internal corporate performance measure; the 'residual income' after subtracting the cost of capital (debt and equity) from after-tax operating profits
- MVA: measure of corporate success; how successfully scarce capital resources have been allocated and managed
- MVA as a discounted EVA concept

You will -
1. Review several IT service companies from the point of view of value creation and destruction.
2. Uncover their causes using supplied EVA spreadsheet models

Cashflow Return on Investment (CFROI)

- Requirements for CFROI calculation
- Comparison of DCF, EVA and CFROI

You will be given simplified EVA/MVA and CFROI spreadsheet models to use.

Use of Real Options & Decision Trees in Valuation

- Review of the fundamental differences to DCF Analysis in handling risk
- Visual representation of option pricing models; Put-Call Parity
- Binomial and trinomial lattices; convergence to Black-Scholes model
- Limitations of Black-Scholes for valuing real options and employee share options
- Decision Tree approachesusing customised spreadsheet models

You will review a real option calculation and use of a decision tree to value an R&D project in the biotech industry.

Valuation of Intellectual Property & Intangible Assets

- Intellectual property:
  - Patents, brands, other "brand assets" (e.g. technical innovation & marketing support)
- Cost-to-recreate:
  - Unpatented technology, software (and Workforce, as part of Goodwill)
- Relief-from royalty:
  - Level 1 – licenses by a third party
  - Level 2 – royalties for other brands or patented technology
  - Level 3 – simulate negotiations between two well-informed businessmen
- Residual earnings:
  - Customer relationships
- Finite versus indefinite remaining economic lives

You will compare Multi-period Excess Earnings Methodology and other DCF approaches such as Relief-from-Royalty. You will also be shown how to do a Lifing analysis to enable valuation of Customer relationships.

Accounting Issues in Valuation

- Open Market Value and Fair Value and specific fair value problems
- New Accounting Standards and changed UK Tax Regime
- Principles-based versus rules-based regulation
- Identifying underlying economic reality versus legal structures

You will review several companies' Annual Reports to determine significance of accounting issues, such as adjustments for discontinued activities, acquisitions, leasing versus debt, sale and leaseback, and other financing techniques.

Valuation Reporting

- The BVCA, EVCA and ©GIPS (CFA Institute) guidelines
- Prospects for valuation reporting in private equity
- Valuing intellectual property, other intangible assets and goodwill

Suitable intervals will be taken for breaks and lunch throughout the day. Welcome coffee will be served at 8:30 on both conference days and the course starts promptly at 9:00 and will finish by 17:00

Due to unforeseen circumstances, the programme may change and IIR reserves the right to alter the venue and/or speakers

Company Valuation Mastercourse

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Additional Requirements

Please notify IIR at least one month before the conference date if you have any additional requirements e.g. wheelchair access, large print etc.

WHEN AND WHERE

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